

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2929
ANSWERED ON:07.12.2001
VISIT BY RBI AND SBI TEAMS TO USA
NARESH KUMAR PUGLIA

Will the Minister of FINANCE be pleased to state:

- (a): whether teams of the Reserve Bank of India and the State bank of India visited the United States of America to have a meeting with the US Federal Reserve Bank on the issue of Indian banks operations in the United States;
- (b): if so, the details thereof and the composition of two teams;
- (c): whether the dispute regarding operations of the Indian Banks in the United States has since been resolved; and
- (d): if so, the details thereof ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b):- Reserve Bank of India (RBI) has reported that its team consisting of a Deputy Governor, an Executive Director, a Chief General Manager and a General Manager of RBI, visited USA and met the Board of Governors of the Federal Reserve System on 22nd October, 2001, to discuss certain cross border supervisory concerns, particularly relating to the USA operations of State Bank of India (SBI). SBI has reported that its team consisting of the Chairman, Deputy Managing Director and Group Executive (International Banking) and Chief General Manager (Foreign Offices) visited USA and had meeting with Federal Regulators in USA in this regard.

(c) & (d):- State Bank of India (SBI) has reported that the Regulatory Authorities in USA had conducted inspection of its New York cluster branches as on 31st March, 2001. The regulators had pointed out certain deficiencies in the systems & procedures and tools for monitoring mechanism, 'Know Your Customer and Enhanced Due Diligence' procedures, especially in the areas of remittances, funds transfer and inter-office accounts. Based thereon, as per a recent order the US regulators have asked it to appoint an independent firm to review its US operations and also to appoint a new internal audit firm to conduct an internal audit of its US offices. SBI has reported that it shall have to conform to certain enhanced due diligence procedures as per the order. SBI has assured the regulators in USA that the desired improvements in systems and technology and procedures at its New York branch will be carried out as per the stipulation given by the regulators.